

RESOLUTION OF THE TOWN COUNCIL OF THE  
THE TOWN OF FORT MYERS BEACH, FLORIDA  
RESOLUTION NUMBER 14-10

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FORT MYERS BEACH,  
FLORIDA, ACCEPTING THE BASIC FINANCIAL STATEMENTS AND AUDIT FOR FISCAL  
YEAR 2012-2013 AS PRESENTED BY THE TOWN MANAGER; AND PROVIDING AN  
EFFECTIVE DATE

WHEREAS, Florida Statutes provide that municipalities shall have the governmental, corporate, and proprietary powers to enable them to conduct municipal government, perform municipal functions, and render municipal services, and exercise any power for municipal purposes, except when expressly prohibited by law; and

WHEREAS, Article X of the Town Charter of the Town of Fort Myers Beach empowers the Town to adopt, amend, or repeal such ordinances and resolutions as may be required for the proper governing of the Town; and

WHEREAS, the Town Council of Fort Myers Beach has convened in public meeting on June 7, 2010, following proper notice as required by Florida Statute; and

WHEREAS, the Town Council has reviewed the Basic Financial Statements and audit for FY 2013 (fiscal year 2012-2013) which had been previously provided.

IT IS HEREBY RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FORT MYERS BEACH, FLORIDA AS FOLLOWS:

SECTION ONE: Authority. This Resolution is enacted pursuant to the provisions of Chapter 95-494, Laws of Florida, Chapter 166, Florida Statutes, and other applicable provisions of law.

SECTION TWO: Town Manager's Responsibility. The Town Manager of the Town of Fort Myers Beach has presented the Basic Financial Statements and Audit for the fiscal year 2012-2013.

SECTION THREE: Acceptance of Audit and Direction to Town Manager. The Town of Fort Myers Beach hereby accepts the Basic Financial Statements for the fiscal year 2012-2013. Said audit is attached hereto as Exhibit "A" and hereby incorporated by reference and the Manager is directed to perform all administrative duties and responsibilities with regard to the Town's statutory responsibilities with the State of Florida and otherwise.

SECTION FOUR: Severability. If any one of the provisions of this resolution should be held contrary to any express provision of law of contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such provision shall be null and void and shall be deemed separate from the remaining provisions of this resolution, and in no way affect the validity of all other provisions of this resolution.

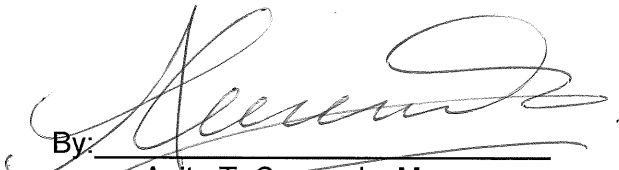
SECTION FIVE: Effective Date. This resolution is effective immediately upon adoption.

The foregoing Resolution was adopted by the Town Council upon a motion by Council Member Hosafros and seconded by Council Member Mandel and upon being put to a vote, the result

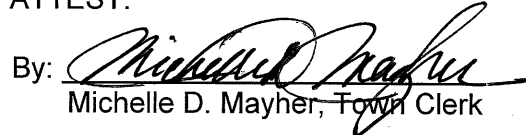
was as follows:

Anita T. Cereceda, Mayor	aye
Dan Andre, Vice Mayor	aye
Alan Mandel, Councilmember	aye
Rexann Hosafros, Councilmember	aye
Summer Stockton, Council Member	aye

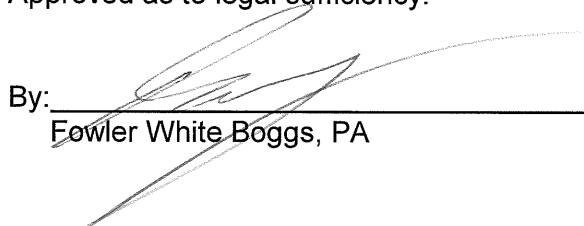
DULY PASSED AND ADOPTED THIS 21<sup>st</sup> DAY OF April, 2014, BY THE  
TOWN COUNCIL OF THE TOWN OF FORT MYERS BEACH

By:   
Anita T. Cereceda, Mayor

ATTEST:

By:   
Michelle D. Mayher, Town Clerk

Approved as to legal sufficiency:

By:   
Fowler White Boggs, PA

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2013**

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor, Town Council and Town Manager  
Town of Fort Myers Beach, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note I to the financial statements, the Town adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of October 1, 2012. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has

been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
April 18, 2014

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's discussion and analysis of the Town of Fort Myers Beach, Florida's (the "Town") financial statements is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the Town's financial activities for the fiscal year ending September 30, 2013.

Since the Management's Discussions and Analysis is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Town's financial statements.

**FINANCIAL HIGHLIGHTS**

- At September 30, 2013, the assets of the Town exceeded its liabilities by \$34,826,464 (net position). Of this amount, \$9,826,191 of unrestricted net position may be used to meet the Town's ongoing obligations.
- The Town's total net position increased by \$1,119,131.
- The Town's governmental funds reported combined ending fund balances of \$9,358,549 as of September 30, 2013. This is an increase of \$321,481 from the September 30, 2012 ending fund balances.

**USING THE BASIC FINANCIAL STATEMENTS**

These basic financial statements consist of a series of financial statements.

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole. The government-wide financial statements separate governmental from business-type activities but both are measured and reported on a full accrual basis using the economic resources measurement focus.

The Statement of Net Position is used as an indicator of the improvement of the financial position of the Town. Net position is the difference between the Town's assets and liabilities. The Statement of Activities presents information showing how the Town's net position changed during the 2013 fiscal year. The statement reflects the expenses of a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes are reported under general revenue.

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Both of these financial statements distinguish primary types of functions of the Town as follows:

1. **Governmental activities**—Most of the Town's primary functions are reported here, including culture/recreation, public works, streets and roads, planning and zoning, and general and administrative services. Major revenues supporting these activities are ad valorem taxes, gas taxes, communications services taxes, and intergovernmental revenues.
2. **Business-type activities**—This column includes the water utility enterprise fund. Prior to fiscal year 2012, the water utility was a blended component unit. On October 1, 2011, the water utility was converted to an enterprise fund within the Town's accounting system. This fund is used to account for the operation of the water system. The services are supported from user fees.

### **Fund Financial Statements**

The fund financial statements report by fund type. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, you will find the reconciliation in the basic financial statements that converts this data to an economic resources measurement focus and the accrual basis of accounting for use in the government-wide financial statements. The fund financial statements present information in more detail than the government-wide financial statements.

The Town's major funds are presented in separate columns on the fund financial statements. The funds that do not meet this criterion of a major fund are considered nonmajor funds and are combined into a single column, "Nonmajor Governmental Funds" on the fund financial statements. The Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental reporting model.

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories:

1. **Governmental funds** account for most of the Town's tax-supported activities. Examples are the General Fund and the Gas Tax Fund. These funds focus on how money flows into and out of the funds, and the balances left at year-end. The accounting method used is called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash, within a sixty-day period. The two criteria used are that the revenue is measurable and available.
2. **Proprietary funds** are used to account for the business-type activities of the government. The Town's proprietary fund includes the Water Fund. The proprietary fund uses the accrual basis of accounting and the economic resources measurement focus. Fees and charges for services are the primary revenue source for the proprietary fund.

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements were designed so that the user can determine if the Town is in a better or worse financial condition from the prior year. The Town's overall financial position has improved over the prior year.

**Summary Statement of Net Position**

The following table reflects a summary of net position for the fiscal years September 30, 2013 and 2012, as restated:

Town of Fort Myers Beach, Florida Summary Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	(Restated) 2012	2013	2012	2013	(Restated) 2012
Current and other assets	\$ 9,899,275	\$ 9,412,612	\$ 5,494,089	\$ 4,793,665	\$ 15,393,364	\$ 14,206,277
Capital assets	19,681,513	19,709,135	3,347,957	3,220,097	23,029,470	22,929,232
Total assets	<u>\$ 29,580,788</u>	<u>\$ 29,121,747</u>	<u>\$ 8,842,046</u>	<u>\$ 8,013,762</u>	<u>\$ 38,422,834</u>	<u>\$ 37,135,509</u>
Current and other liabilities	\$ 513,028	\$ 347,846	\$ 857,187	\$ 1,004,436	\$ 1,370,215	\$ 1,352,282
Noncurrent liabilities	246,155	95,894	1,980,000	1,980,000	2,226,155	2,075,894
Total liabilities	<u>\$ 759,183</u>	<u>\$ 443,740</u>	<u>\$ 2,837,187</u>	<u>\$ 2,984,436</u>	<u>\$ 3,596,370</u>	<u>\$ 3,428,176</u>
Net investment in capital assets	\$ 19,681,513	\$ 19,709,135	\$ 1,367,957	\$ 1,240,097	\$ 21,049,470	\$ 20,949,232
Restricted	3,950,803	4,204,694	-	-	3,950,803	4,204,694
Unrestricted	5,189,289	4,764,178	4,636,902	3,789,229	9,826,191	8,553,407
Total net position	<u>\$ 28,821,605</u>	<u>\$ 28,678,007</u>	<u>\$ 6,004,859</u>	<u>\$ 5,029,326</u>	<u>\$ 34,826,464</u>	<u>\$ 33,707,333</u>

1. For governmental activities, \$19,681,513 of net position, or 68%, represents the Town's net investment in capital assets. For business-type activities, \$1,367,957 of net position, or 23%, represents the Town's net investment in capital assets. The Town uses these assets to provide services to its citizens and therefore, these assets are not available for future spending. It should also be noted that other resources will be required to repay the outstanding debt on capital assets.

**TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

2. At year-end, \$3,950,803 of net position represents resources that are subject to external restriction on how they may be used.
3. Unrestricted net position accounts for 28% of the Town's total net position. This net position may be used to meet the Town's ongoing obligations to citizens and creditors.

**Summary Statement of Changes in Net Position**

The following table compares revenues and expenses for the current fiscal year and the previous fiscal year:

Town of Fort Myers Beach, Florida Summary Statement of Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	(Restated)				(Restated)	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 1,339,853	\$ 1,129,944	\$ 4,087,046	\$ 3,945,191	\$ 5,426,899	\$ 5,075,135
Operating grants and contributions	810,221	649,016	-	-	810,221	649,016
Capital grants and contributions	175,212	142,062	-	-	175,212	142,062
General revenues						
Property taxes	1,836,006	1,987,294	-	-	1,836,006	1,987,294
Utility taxes	914,966	388,623	-	-	914,966	388,623
Gas taxes	301,668	287,322	-	-	301,668	287,322
Communications services taxes	549,389	687,333	-	-	549,389	687,333
Business taxes	10,894	10,311	-	-	10,894	10,311
Franchise fees	79,133	74,512	-	-	79,133	74,512
Intergovernmental revenues, unrestricted	640,263	618,635	-	-	640,263	618,635
Investment earnings	(49,438)	162,576	3,670	3,756	(45,768)	166,332
Miscellaneous	69,615	50,797	-	-	69,615	50,797
Total revenues	<u>6,677,782</u>	<u>6,188,425</u>	<u>4,090,716</u>	<u>3,948,947</u>	<u>10,768,498</u>	<u>10,137,372</u>
Expenses						
Program expenses						
Governmental activities						
General government	3,000,639	2,960,603	-	-	3,000,639	2,960,603
Physical environment	456,703	271,684	-	-	456,703	271,684
Transportation	1,689,251	1,418,023	-	-	1,689,251	1,418,023
Economic environment	-	6,344	-	-	-	6,344
Culture/recreation	1,387,591	1,232,014	-	-	1,387,591	1,232,014
Business-type activities						
Water Utility	-	-	3,115,183	2,953,672	3,115,183	2,953,672
Total expenses	<u>6,534,184</u>	<u>5,888,668</u>	<u>3,115,183</u>	<u>2,953,672</u>	<u>9,649,367</u>	<u>8,842,340</u>
Increase (decrease) in net position	143,598	299,757	975,533	995,275	1,119,131	1,295,032
Net position, beginning, restated	<u>28,678,007</u>	<u>28,378,250</u>	<u>5,029,326</u>	<u>4,034,051</u>	<u>33,707,333</u>	<u>32,412,301</u>
Net position, ending	<u>\$ 28,821,605</u>	<u>\$ 28,678,007</u>	<u>\$ 6,004,859</u>	<u>\$ 5,029,326</u>	<u>\$ 34,826,464</u>	<u>\$ 33,707,333</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Total revenues increased by \$631,126 or 6% in comparison to the prior year. The majority of the increase was due to increases in charges for services such as permit fees, parking fees, park and recreation fees, and water utility fees, in addition to an increase in utility taxes. All other revenue sources were consistent and within expected ranges.

Total expenses increased by \$807,027 or 9% in comparison to the prior year. The majority of the increase was due to an increase in physical environment-maintenance expenses, cultural/recreation-maintenance and labor expense and water utility-bulk water and administrative expense.

### Governmental Activities

The table below presents the cost of the Town's larger programs as well as each program's net cost (total cost less program revenues), generated by the activities. The net cost represents the portion of each program that is supported by various taxes.

**Town of Fort Myers Beach  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost (Earnings) of Services</b>	
		(restated)		(restated)
	2013	2012	2013	2012
General government	\$ 3,000,639	\$ 2,960,603	\$ 2,414,042	\$ 2,534,543
Physical environment	456,703	271,684	158,280	88,415
Transportation	1,689,251	1,418,023	1,129,698	924,582
Economic environment	-	6,344	-	6,344
Culture/recreation	1,387,591	1,232,014	506,878	441,460
Totals	<u>\$ 6,534,184</u>	<u>\$ 5,888,668</u>	<u>\$ 4,208,898</u>	<u>\$ 3,995,344</u>

The cost of all governmental activities this fiscal year was \$6.6 million as compared to \$5.9 million for fiscal year 2012. As shown in the Statement of Activities, the net cost from governmental activities was \$4.2 million for 2013, compared to a net cost of \$4 million for 2012. Revenues contributing to earnings from governmental activities consisted of:

- Approximately \$1,339,853 in charges for services of which there was approximately \$389,244 in revenue from permits and zoning fees, \$497,598 from parking facilities revenues, \$116,955 for harborage usage fees and \$142,038 from parks and recreational fees with the remainder from various fees for general government service.
- Approximately \$810,221 in operating grants and contributions. These operating grants include donations from the public and grants from the Tourist Development Council for beach access maintenance and from the West Coast Inland Navigation District for Laguna Shore Dredging.



TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Approximately \$175,212 in capital grants and contributions, which is mainly comprised of grants from West Coast Inland Navigation District for Mound House projects and Road and Park Impact fees collected internally by the building department.

**Business-type Activities**

Revenues of the Town's business-type activities totaled \$4,090,716 and \$3,948,947 for 2013 and 2012, respectively. Operating expenses totaled \$3,115,183 and \$2,953,672 for 2013 and 2012, respectively. The increase in net position was \$975,533 and \$995,275 for 2013 and 2012, respectively.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

Governmental funds are comprised of the General Fund, special revenue funds, and capital project funds. Governmental funds use the current financial resources measurement focus that provides information on the near-term inflows, outflows and balances of available resources.

The *General Fund* is the chief operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,186,808, an increase of \$196,123.

The *Gas Tax Fund* is used to account for gas taxes and other resources dedicated to road related projects. This fund has a total fund balance of \$2,871,616 all of which is dedicated to road improvements and transportation related items.

The *Beach Access Fund* is grant monies used for beach access maintenance.

The *CRA Fund*, a blended component unit of the Town, accounts for redevelopment projects. At September 30, 2013, this fund has a negative fund balance of \$120,795. This deficit will be funded by future interfund transfers.

The *Capital Projects Fund* is maintained by transfers from the General Fund and other special revenue funds. Capital outlays of \$193,050 were expended in the current year.

All other governmental funds are accounted for in the *Nonmajor Governmental Funds*.

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

### Proprietary Funds

The Town's proprietary fund is used to account for activities for which a fee is charged to external users for services. This fund provides the same type of information found in the business-type activities of the governmental-wide financial statements, but in more detail.

### BUDGETARY HIGHLIGHTS

Revenue budget-to-actual in the General Fund resulted in a \$304,655, or 5.7%, positive revenue variance.

Budget-to-actual expenditures show a \$241,995, or 4.1%, positive variance. Positive variances were consistent throughout all departments and reflect the continued efforts to reduce costs in the current year.

A more detailed analysis of the General Fund budget comparison can be found in the basic financial statements section.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The following table provides a comparative summary of capital assets (net of accumulated depreciation) by category:

Town of Fort Myers Beach Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	(restated)				(restated)	
	2013	2012	2013	2012	2013	2012
Land	\$ 9,957,688	\$ 9,957,688	\$ 305,000	\$ 305,000	\$ 10,262,688	\$ 10,262,688
Buildings and leasehold improvements	2,154,806	2,051,909	-	-	2,154,806	2,051,909
Improvements other than buildings	517,724	27,750	-	-	517,724	27,750
Office furniture and equipment	154,096	102,050	-	-	154,096	102,050
Vehicles and other equipment	402,305	489,497	-	-	402,305	489,497
Infrastructure	3,774,947	3,868,142	2,387,053	2,634,590	6,162,000	6,502,732
Construction in progress	2,719,947	3,212,099	655,904	280,507	3,375,851	3,492,606
Total capital assets	<u>\$ 19,681,513</u>	<u>\$ 19,709,135</u>	<u>\$ 3,347,957</u>	<u>\$ 3,220,097</u>	<u>\$ 23,029,470</u>	<u>\$ 22,929,232</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements.

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Long-term Debt**

As of September 30, 2013 and 2012, the Town had \$1,980,000 in long-term debt. The following table provides a breakdown:

Town of Fort Myers Beach  
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Note payable	\$ -	\$ -	\$ -	\$ 1,980,000	\$ -	\$ 1,980,000
Refunding bond payable	-	-	1,980,000	-	1,980,000	-
Total debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,980,000</u>	<u>\$ 1,980,000</u>	<u>\$ 1,980,000</u>	<u>\$ 1,980,000</u>

During the year, the Town issued the Utility Revenue Refunding Bonds, Series 2013 to refund the Public Works Revenue Refunding Note, Series 2010. Additional information on the Town's long-term debt can be found in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGET**

The State of Florida operates mainly using sales, gasoline and corporate income tax. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, communication services, etc.) and fees (franchise, occupational licensing, impact, etc) for their governmental activities. There are a number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and Federal governments.

The following factors were considered in preparing the Town's budget for the 2013 fiscal year:

- National economic trends continue to indicate low growth in the economy with above average unemployment and low consumer confidence. The Town's elected officials and administration will continue to monitor the local and national economy in preparation of the 2013 Budget.
- The Town is planning significant investment in infrastructure in the water utility.
- Continuation of the Town's sound financial and operational philosophies will guide the development of future budgets.

TOWN OF FORT MYERS BEACH, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Requests for Information**

This financial report is designed to provide a general overview of the Town of Fort Myers Beach, Florida's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director  
Town of Fort Myers Beach  
2523 Estero Boulevard  
Fort Myers Beach, Florida 33931

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,966,227	\$ 4,276,658	\$ 8,242,885
Investments	5,149,313	-	5,149,313
Internal balances	127,886	(127,886)	-
Due from other governments	460,951	17,092	478,043
Receivables, net	125,498	857,228	982,726
Prepaid expenses	69,400	-	69,400
Restricted cash	-	470,997	470,997
Capital assets			
Land	9,957,688	305,000	10,262,688
Buildings and improvements	2,911,216	497,710	3,408,926
Improvements other than buildings	597,932	-	597,932
Office furniture and equipment	665,238	61,116	726,354
Vehicles and other equipment	1,385,064	95,104	1,480,168
Infrastructure	4,369,522	4,477,926	8,847,448
Construction in progress	2,719,947	655,904	3,375,851
Accumulated depreciation	(2,925,094)	(2,744,803)	(5,669,897)
<b>Total assets</b>	<b>\$ 29,580,788</b>	<b>\$ 8,842,046</b>	<b>\$ 38,422,834</b>
<b>Liabilities</b>			
Accounts payable	\$ 513,028	\$ 407,132	\$ 920,160
Customer refunds payable	-	9,623	9,623
Due to other governments	-	149,435	149,435
Payable from restricted assets			
Accrued interest payable	-	5,475	5,475
Deposits	-	285,522	285,522
Noncurrent liabilities			
Due within one year	203,539	180,000	383,539
Due in more than one year	42,616	1,800,000	1,842,616
<b>Total liabilities</b>	<b>759,183</b>	<b>2,837,187</b>	<b>3,596,370</b>
<b>Net position</b>			
Net investment in capital assets	19,681,513	1,367,957	21,049,470
Restricted for			
Parks and recreation	655,957	-	655,957
Transportation	3,294,846	-	3,294,846
Unrestricted	5,189,289	4,636,902	9,826,191
<b>Total net position</b>	<b>\$ 28,821,605</b>	<b>\$ 6,004,859</b>	<b>\$ 34,826,464</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Functions/programs</b>							
<b>Governmental activities</b>							
General government	\$ 3,000,639	\$ 547,643	\$ 38,954	\$ -	\$ (2,414,042)	\$ -	\$ (2,414,042)
Physical environment	456,703	35,619	219,647	43,157	(158,280)	-	(158,280)
Transportation	1,689,251	497,598	9,472	52,483	(1,129,698)	-	(1,129,698)
Economic environment	-	-	-	-	-	-	-
Culture/recreation	1,387,591	258,993	542,148	79,572	(506,878)	-	(506,878)
<b>Total governmental activities</b>	<b>6,534,184</b>	<b>1,339,853</b>	<b>810,221</b>	<b>175,212</b>	<b>(4,208,898)</b>	<b>-</b>	<b>(4,208,898)</b>
<b>Business-type activities</b>							
Water and sewer	3,115,183	4,087,046	-	-	-	971,863	971,863
Total business-type activities	3,115,183	4,087,046	-	-	-	971,863	971,863
<b>Total primary government</b>	<b>\$ 9,649,367</b>	<b>\$ 5,426,899</b>	<b>\$ 810,221</b>	<b>\$ 175,212</b>	<b>(4,208,898)</b>	<b>971,863</b>	<b>(3,237,035)</b>
<b>General revenues</b>							
Property taxes, levied for general purposes					1,836,006	-	1,836,006
Utility taxes					914,966	-	914,966
Communication services tax					549,389	-	549,389
Gas taxes					301,668	-	301,668
Franchise fees					79,133	-	79,133
Business taxes					10,894	-	10,894
Intergovernmental revenues, unrestricted					640,263	-	640,263
Investment earnings					(49,438)	3,670	(45,768)
Miscellaneous					69,615	-	69,615
<b>Total general revenues</b>					<b>4,352,496</b>	<b>3,670</b>	<b>4,356,166</b>
<b>Change in net position</b>					<b>143,598</b>	<b>975,533</b>	<b>1,119,131</b>
<b>Net position, beginning of year</b>					<b>28,825,605</b>	<b>5,029,326</b>	<b>33,854,931</b>
<b>Prior period adjustment</b>					<b>(147,598)</b>	<b>-</b>	<b>(147,598)</b>
<b>Net position, beginning of year, restated</b>					<b>28,678,007</b>	<b>5,029,326</b>	<b>33,707,333</b>
<b>Net position, end of year</b>					<b>\$ 28,821,605</b>	<b>\$ 6,004,859</b>	<b>\$ 34,826,464</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2013**

	General	Gas Tax	Beach Access	Capital Projects	CRA	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 1,892,438	\$ 992,397	\$ -	\$ -	135,846	\$ 945,546	\$ 3,966,227
Investments	3,566,705	1,582,608	-	-	-	-	5,149,313
Taxes receivable	83,866	-	-	-	-	-	83,866
Special assessments and other receivables	37,198	-	-	-	-	4,434	41,632
Prepaid items	69,400	-	-	-	-	-	69,400
Due from other funds	234,663	-	-	127,886	-	-	362,549
Advances to other funds	-	270,793	-	-	-	-	270,793
Due from other governments	131,599	30,591	250,456	48,305	-	-	460,951
<b>Total assets</b>	<b>\$ 6,015,869</b>	<b>\$ 2,876,389</b>	<b>\$ 250,456</b>	<b>\$ 176,191</b>	<b>\$ 135,846</b>	<b>\$ 949,980</b>	<b>\$ 10,404,731</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>							
<b>Liabilities</b>							
Accounts payable and accrued liabilities	316,271	4,773	23,068	168,916	-	-	513,028
Due to other funds	-	-	227,388	7,275	-	-	234,663
Advances from other funds	14,152	-	-	-	256,641	-	270,793
<b>Total liabilities</b>	<b>330,423</b>	<b>4,773</b>	<b>250,456</b>	<b>176,191</b>	<b>256,641</b>	<b>-</b>	<b>1,018,484</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue, special assessments	27,698	-	-	-	-	-	27,698
<b>Fund balances</b>							
Nonspendable	69,400	-	-	-	-	-	69,400
Prepaid items	-	270,793	-	-	-	-	270,793
Advances to other funds	-	-	-	-	-	-	-
Restricted	400,000	-	-	-	-	255,957	655,957
Parks and recreation	-	2,600,823	-	-	-	694,023	3,294,846
Transportation	-	-	-	-	-	-	-
Committed	122,718	-	-	-	-	-	122,718
Old San Carlos capital projects	875,877	-	-	-	-	-	875,877
Beach renourishment	-	-	-	-	-	-	-
Assigned	502,945	-	-	-	-	-	502,945
Emergency	500,000	-	-	-	-	-	500,000
Subsequent year's appropriations	3,186,808	-	-	-	(120,795)	-	3,066,013
Unassigned	-	-	-	-	(120,795)	-	-
<b>Total fund balances</b>	<b>5,657,748</b>	<b>2,871,616</b>	<b>-</b>	<b>-</b>	<b>(120,795)</b>	<b>949,980</b>	<b>9,358,549</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,015,869</b>	<b>\$ 2,876,389</b>	<b>\$ 250,456</b>	<b>\$ 176,191</b>	<b>\$ 135,846</b>	<b>\$ 949,980</b>	<b>\$ 10,404,731</b>

The accompanying notes to financial statements are an integral part of this statement.



**TOWN OF FORT MYERS BEACH, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET-**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**

<b>Fund Balances, Total Governmental Funds</b>	\$	\$ 9,358,549
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Governmental capital assets	22,606,607	
Accumulated depreciation	<u>(2,925,094)</u>	19,681,513

Certain deferred inflows of resources are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		27,698
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Noncurrent liabilities, are not due and payable in the current period and therefore, are not reported in the funds.

Compensated absences	(226,155)	
Other post-employment benefits	<u>(20,000)</u>	<u>(246,155)</u>

<b>Net Position of Governmental Activities</b>		<b><u>\$ 28,821,605</u></b>
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**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	General	Gas Tax	Beach Access	Capital Projects	CRA	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes							
Property	\$ 1,836,006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,836,006
Gas	-	301,668	-	-	-	-	301,668
Utility	914,966	-	-	-	-	-	914,966
Communication services	549,389	-	-	-	-	-	549,389
Local business	10,894	-	-	-	-	-	10,894
Permits, fees and assessments	600,808	-	-	-	-	78,298	679,106
Intergovernmental	779,854	47,223	412,676	249,944	-	-	1,489,697
Charges for services	854,806	-	-	-	-	-	854,806
Fines and forfeitures	12,670	-	-	-	-	-	12,670
Investment income (loss)	(32,590)	(17,727)	-	-	112	767	(49,438)
Miscellaneous	78,018	-	-	-	-	-	78,018
<b>Total revenues</b>	<b>5,604,821</b>	<b>331,164</b>	<b>412,676</b>	<b>249,944</b>	<b>112</b>	<b>79,065</b>	<b>6,677,782</b>
<b>Expenditures</b>							
Current							
General government	2,886,891	-	-	-	1,512	-	2,888,403
Physical environment	385,221	-	-	47,780	-	-	433,001
Transportation	1,248,063	140,525	-	166,858	-	7,409	1,562,855
Culture/recreation	1,042,359	-	226,343	7,376	-	2,914	1,278,992
Capital outlay	-	-	-	193,050	-	-	193,050
<b>Total expenditures</b>	<b>5,562,534</b>	<b>140,525</b>	<b>226,343</b>	<b>415,064</b>	<b>1,512</b>	<b>10,323</b>	<b>6,356,301</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>42,287</b>	<b>190,639</b>	<b>186,333</b>	<b>(165,120)</b>	<b>(1,400)</b>	<b>68,742</b>	<b>321,481</b>
<b>Other financing sources (uses)</b>							
Transfers in	418,210	-	-	165,120	-	-	583,330
Transfers out	(154,518)	(57,910)	(370,902)	-	-	-	(583,330)
Total other financing sources (uses)	263,692	(57,910)	(370,902)	165,120	-	-	-
<b>Change in fund balances</b>	<b>305,979</b>	<b>132,729</b>	<b>(184,569)</b>	<b>-</b>	<b>(1,400)</b>	<b>68,742</b>	<b>321,481</b>
<b>Fund balances, beginning of year</b>	<b>5,351,769</b>	<b>2,738,887</b>	<b>184,569</b>	<b>-</b>	<b>(119,395)</b>	<b>881,238</b>	<b>9,037,068</b>
<b>Fund balances, end of year</b>	<b>\$ 5,657,748</b>	<b>\$ 2,871,616</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (120,795)</b>	<b>\$ 949,980</b>	<b>\$ 9,358,549</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

<b>Net Change in Fund Balances, Total Governmental Funds</b>	\$		\$	321,481
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.

Capital outlay	336,580			
Less current year depreciation	<u>(364,202)</u>			(27,622)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(130,261)			
Change in other post-employment benefits	<u>(20,000)</u>			<u>(150,261)</u>

<b>Change in Net Position of Governmental Activities</b>			<b>\$</b>	<b><u>143,598</u></b>
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The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget— Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes				
Property	\$ 1,908,482	\$ 1,908,482	\$ 1,836,006	\$ (72,476)
Utility	722,777	722,777	914,966	192,189
Communications services	736,366	736,366	549,389	(186,977)
Local business	7,500	7,500	10,894	3,394
Permits, fees and assessments	360,750	360,750	600,808	240,058
Intergovernmental	716,363	716,363	779,854	63,491
Charges for services	670,728	670,728	854,806	184,078
Fines and forfeitures	20,000	20,000	12,670	(7,330)
Investment income	96,950	96,950	(32,590)	(129,540)
Miscellaneous	60,250	60,250	78,018	17,768
<b>Total revenues</b>	<u>5,300,166</u>	<u>5,300,166</u>	<u>5,604,821</u>	<u>304,655</u>
<b>Expenditures</b>				
Current				
General government	3,009,855	3,009,855	2,886,891	122,964
Physical environment	453,662	453,662	385,221	68,441
Transportation	1,267,959	1,267,959	1,248,063	19,896
Culture and recreation	1,073,053	1,073,053	1,042,359	30,694
<b>Total expenditures</b>	<u>5,804,529</u>	<u>5,804,529</u>	<u>5,562,534</u>	<u>241,995</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(504,363)</u>	<u>(504,363)</u>	<u>42,287</u>	<u>546,650</u>
<b>Other financing sources (uses)</b>				
Transfers in	504,363	504,363	418,210	(86,153)
Transfers out	-	-	(154,518)	(154,518)
<b>Total other financing sources (uses)</b>	<u>504,363</u>	<u>504,363</u>	<u>263,692</u>	<u>(240,671)</u>
<b>Change in fund balance</b>	<u>-</u>	<u>-</u>	<u>305,979</u>	<u>305,979</u>
<b>Fund balance, beginning of year</b>	<u>5,351,769</u>	<u>5,351,769</u>	<u>5,351,769</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,351,769</u>	<u>\$ 5,351,769</u>	<u>\$ 5,657,748</u>	<u>\$ 305,979</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**GAS TAX FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget— Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes				
Gas taxes	\$ 469,135	\$ 469,135	\$ 301,668	\$ (167,467)
Intergovernmental	-	-	47,223	47,223
Interest	-	-	(17,727)	(17,727)
<b>Total revenues</b>	<u>469,135</u>	<u>469,135</u>	<u>331,164</u>	<u>(137,971)</u>
<b>Expenditures</b>				
Current				
Transportation	469,135	469,135	140,525	328,610
<b>Total expenditures</b>	<u>469,135</u>	<u>469,135</u>	<u>140,525</u>	<u>328,610</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>190,639</u>	<u>190,639</u>
<b>Other financing uses</b>				
Transfers out	-	-	(57,910)	(57,910)
<b>Total other financing uses</b>	<u>-</u>	<u>-</u>	<u>(57,910)</u>	<u>(57,910)</u>
<b>Change in fund balance</b>	-	-	132,729	132,729
<b>Fund balance, beginning of year</b>	<u>2,738,887</u>	<u>2,738,887</u>	<u>2,738,887</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2,738,887</u></u>	<u><u>\$ 2,738,887</u></u>	<u><u>\$ 2,871,616</u></u>	<u><u>\$ 132,729</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL**  
**BEACH ACCESS FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget— Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 803,732	\$ 803,732	\$ 412,676	\$ (391,056)
<b>Total revenues</b>	<u>803,732</u>	<u>803,732</u>	<u>412,676</u>	<u>(391,056)</u>
<b>Expenditures</b>				
Current				
Culture/recreation	<u>570,313</u>	<u>570,313</u>	<u>226,343</u>	<u>343,970</u>
<b>Total expenditures</b>	<u>570,313</u>	<u>570,313</u>	<u>226,343</u>	<u>343,970</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>233,419</u>	<u>233,419</u>	<u>186,333</u>	<u>(47,086)</u>
<b>Other financing uses</b>				
Transfers out	<u>(233,419)</u>	<u>(233,419)</u>	<u>(370,902)</u>	<u>(137,483)</u>
<b>Total other financing uses</b>	<u>(233,419)</u>	<u>(233,419)</u>	<u>(370,902)</u>	<u>(137,483)</u>
<b>Change in fund balance</b>	-	-	(184,569)	(184,569)
<b>Fund balance, beginning of year</b>	<u>184,569</u>	<u>184,569</u>	<u>184,569</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 184,569</u>	<u>\$ 184,569</u>	<u>\$ -</u>	<u>\$ (184,569)</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2013**

	<b>Business-type Activities— Enterprise Fund Water</b>
<b>Assets</b>	
Current assets	
Cash	\$ 4,276,658
Receivables, net	857,228
Due from other governments	17,092
<b>Total current assets</b>	<b>5,150,978</b>
Noncurrent assets	
Restricted cash	470,997
Capital assets, net	3,347,957
<b>Total noncurrent assets</b>	<b>3,818,954</b>
<b>Total assets</b>	<b>\$ 8,969,932</b>
<b>Liabilities</b>	
Current liabilities	
Payable from current assets	
Accounts payable	\$ 407,132
Due to other funds	127,886
Customer refunds payable	9,623
Due to other governments	149,435
Accrued interest payable	5,475
Bonds payable, due within one year	180,000
Payable from restricted assets	
Customer deposits	285,522
<b>Total current liabilities</b>	<b>1,165,073</b>
Long term liabilities	
Bonds payable	1,800,000
<b>Total long-term liabilities</b>	<b>1,800,000</b>
<b>Total liabilities</b>	<b>2,965,073</b>
<b>Net position</b>	
Net investment in capital assets	1,367,957
Unrestricted	4,636,902
<b>Total net position</b>	<b>6,004,859</b>
<b>Total liabilities and net position</b>	<b>\$ 8,969,932</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<b>Business-type Activities— Enterprise Fund Water</b>
<b>Operating revenues</b>	
Water utility revenue	\$ 4,087,046
<b>Operating expenses</b>	
Bulk water	1,481,847
Management fees	509,957
Depreciation expense	287,597
Repairs and maintenance	298,608
Salaries and benefits	57,890
Insurance	80,000
Administrative expense	190,944
Power	42,822
Professional services	32,773
Other operating supplies and expenses	48,181
Miscellaneous expenses	2,776
Office expenses	29,761
<b>Total operating expenses</b>	<u>3,063,156</u>
<b>Operating income</b>	<u>1,023,890</u>
<b>Nonoperating revenues (expenses)</b>	
Interest income	3,670
Interest expense	<u>(52,027)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>(48,357)</u>
<b>Changes in net position</b>	975,533
<b>Total net position, beginning of year</b>	<u>5,029,326</u>
<b>Total net position, end of year</b>	<u><u>\$ 6,004,859</u></u>

The accompanying notes to financial statements are an integral part of this statement.



**TOWN OF FORT MYERS BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<b>Business-type Activities— Enterprise Fund Water and Sewer</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 4,154,745
Cash paid to suppliers	(2,753,902)
Cash paid to employees	(57,890)
<b>Net cash provided by operating activities</b>	<u>1,342,953</u>
<b>Cash flows from capital and related financing activities</b>	
Interest paid	(46,552)
Acquisition and construction of capital assets	(415,457)
<b>Net cash used in capital and related financing activities</b>	<u>(462,009)</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>3,670</u>
<b>Net increase in cash and cash equivalents</b>	884,614
<b>Cash and cash equivalents, beginning of year</b>	<u>3,863,041</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 4,747,655</u></u>
<b>Reconciliation of cash and cash equivalents to statement of net assets</b>	
Cash and cash equivalents	\$ 4,276,658
Restricted cash	<u>470,997</u>
<b>Total cash and cash equivalents</b>	<u><u>\$ 4,747,655</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 1,023,890
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation expense	287,597
Decrease (increase) in assets	
Accounts receivable	(17,498)
Due from other governments	73,802
Increase (decrease) in liabilities	
Accounts payable	(53,751)
Due to other funds	127,886
Customer refunds payable	2,562
Due to other governments	(110,368)
Customer deposits	<u>8,833</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 1,342,953</u></u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**I. Summary of Significant Accounting Policies**

The financial statements of the Town of Fort Myers Beach, Florida (the "Town"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Implementation of New Governmental Accounting Standards**

The Town adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Other than GASB Statement No. 63, the implementation of these standards had no significant effect on the financial statements of the Town.

GASB Statement No. 63 establishes new accounting and financial reporting for deferred outflows of resources and deferred inflows of resources, and the concept of net position as the residual of all other elements presented in the Statement of Net Position. It further requires the "capital assets, net of debt" now be titled "net investment in capital assets."

**A. Reporting Entity**

The Town was incorporated pursuant to Chapter 95-494 Laws of Florida. The Town operates under a Town Manager form of government and is governed by an elected five-member Town Council. The Town Manager is appointed by a majority vote of the Council. The Town provides the following services: parks and recreation, public works, streets and roads, planning and zoning, water utility services, and general and administrative services.

The Governmental Accounting Standards Board (GASB) requires the financial statements of the Town (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so the financial statements from these units are included with financial statements of the primary government.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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The Town of Fort Myers Beach Community Redevelopment Agency (the “CRA”) is included in the Town's reporting entity because of the significance of the operational and financial relationship with the Town. This component unit has the same governing body as the Town. The CRA was originally established by the Lee County Board of Commissioners pursuant to Resolution 90-07-21 for the community development of Estero Island. The Town Council of The Town of Fort Myers Beach became the governing board of the CRA pursuant to the Town's Resolution 98-13. The CRA is presented as a blended component unit within the Town's financial statements as a major Special Revenue Fund. The CRA does not publish separate financial statements.

**B. Government-wide and Fund Financial Statements**

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the Town's governmental activities and business-type activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Statement of Net Position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town's capital assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Gas Tax Fund (Special Revenue Fund)** accounts for gas taxes and other resources restricted for road related projects.

The **Beach Access Fund (Special Revenue Fund)** accounts for tourist development taxes restricted for beach accessibility projects.

The **Capital Projects Fund** is used to account for funds and other resources used for the acquisition and/or construction of major capital facilities.

The **Community Redevelopment Agency Fund (Special Revenue Fund)** is used to account for funds and other resources used to finance and redevelop the Town's designated redevelopment areas.

The Town reports the following major proprietary fund:

The **Water Fund** accounts for the activities of the water distribution system.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues, except intergovernmental revenues, to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenues are recognized in the year in which all eligibility requirements have been

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences and claims and judgments are recorded only when payment is due.

Taxes, licenses and permits, intergovernmental revenue, charges for services, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water function and various other functions of the Town. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**D. Prior Period Adjustment**

The October 1, 2012, beginning net position for the governmental activities has been restated for a prior period adjustment for amounts previously capitalized and reported within construction in progress in the amount of \$147,598 for dredging that should have been expensed. As a result, beginning net position has been restated.

	Governmental Activities Net Position
Balance October 1, 2012, previously reported	\$ 28,825,605
Dredging costs	<u>(147,598)</u>
Balance October 1, 2012, restated	<u>\$ 28,678,007</u>

**E. Assets, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position**

**1. Cash and Investments**

The Town's cash and investments consist of amounts in demand deposits and certificates of deposit. Investments consist of amounts on deposit with the Florida State Board of Administration's Florida Prime and Fund B pools and with the Florida Municipal Investment Trust.

The Town's investment policy follows section 218.415 of the Florida Statutes and allows management to invest any surplus funds in its control in the following:

- The Florida State Board of Administration's SBA Florida Prime and SBA Fund B;
- Florida Municipal Investment Trust (an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida Statute 163.01);
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Florida Statutes, Chapter 280.02;
- Direct obligations of the United States Treasury.

For accounting and investment purposes, the Town maintains cash and investment pool available for use by all funds except those whose cash and investments must be segregated due to legal or other restrictions. Investments within this pool are treated as a demand deposit account by the various funds of the Town that participate. Interest earned on investments in the pool is allocated to the various funds based upon each fund's equity balance in the pool during the allocation period.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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SBA Florida Prime meets the criteria of a Rule 2a-7 like pool; therefore, the market funds maintain a constant net asset value (NAV) of \$1.00 per share. SBA Fund B does not meet the criteria of a Rule 2a-7 like pool; therefore, a fair value factor is used to calculate the fair value of the investment.

For purposes of the statement of cash flows, the Town considers highly liquid investments, including those held as restricted assets, with maturities of three months or less when purchased to be cash equivalents.

Customer deposit resources in the Water Fund are restricted to the payment of customer's deposits as they become due.

## **2. Receivables**

The accounts receivable of the Town are recorded net of an allowance for doubtful accounts which generally is equivalent to the receivables that are over 90 days past due. In the Water Fund, revenues and receivables are accrued for services provided to customers through year-end even if the customers have not yet been billed.

## **3. Interfund Transactions**

During the course of operations, the Town has activity between funds for various purposes. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either "due from/to other funds" or "advances to/from other funds," the latter being amounts due in excess of one year. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

## **4. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2013, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

## **5. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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Restricted assets in the enterprise funds represent cash and cash equivalents set aside for the repayment of deposits to utility customers.

**6. Capital Assets**

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the governmental activities column in the government-wide financial statements. As permitted by GASB No. 34, the Town has elected not to report infrastructure assets retroactively.

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at their fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Town follows a capitalization policy that calls for the capitalization of all capital assets that have costs of \$1,000 or more and useful lives in excess of one year. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10-40
Improvements other than buildings	5-40
Office furniture and equipment	3-10
Vehicles and other equipment	5-10
Other infrastructure	5-40
Booster stations	5-25
Distribution lines	15
Generators	10
North Estero	25

**7. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**8. Long-term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt payable is reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued and debt premiums are separately reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Compensated Absences**

In the past, employees could accumulate 240 annual leave hours and 720 medical leave hours. Upon voluntary or involuntary separation, an employee would be paid for all accumulated vacation leave up to 240 hours and 50% of the medical leave hours. The Council adopted a revised personnel policy on March 6, 2013, which converted annual and medical leave to annual paid time off. The revised policy allows an employee to accumulate a total of 560 paid time off hours. Upon voluntary or involuntary termination from the Town, the employee will be paid a maximum of 560 hours.

**10. Fund Balance/Net Position**

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund balance**—Generally, fund balance represents the difference between current assets and current liabilities in fund financial statements using the current financial resources measurement focus. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable**—Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash such as prepaid items) or (b) legally or contractually required to be maintained intact.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**Restricted**—Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Committed**—Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution or ordinance. Only the Town Council may modify or rescind the commitment. These self-imposed limitations must be set in place prior to the end of the fiscal year.

**Assigned**—Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is stipulated by the Town Council or an official for whom that authority has been given by Town Council. The Town Manager has the authority to assign fund balance.

With the exception of the General Fund, amounts in all other governmental funds that are not *nonspendable, restricted or committed* will be considered to be *assigned*. Also, at fiscal year-end, any appropriation of existing fund balance to eliminate a projected budgetary deficit in the next year's budget is considered to be an assignment of fund balance.

**Unassigned**—Fund balances reported as unassigned are the residual amount of balances that do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds.

**Net Position**—Net position represents the difference between assets and liabilities in reporting units using the economic resources measurement focus. Net position reported as net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, adding back unspent proceeds. Net position reported as restricted consists of amounts that have limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position not reported as "net investment in capital assets" or "restricted" is reported as unrestricted.

**Flow Assumptions**—When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**F. Property Taxes**

The billing and collection of all property taxes is performed for the Town by the Lee County, Florida Tax Collector. Property taxes are levied after formal adoption of the Town's budget and become due and payable on November 1 of each year. Discounts are allowed for payment of property taxes before March 1 of the following year. Taxes are recognized as revenue when levied to the extent that they result in current receivables and meet availability criteria. On April 1, any unpaid taxes become delinquent. If the taxes are still unpaid in May, tax certificates are then offered for sale to the general public. The proceeds collected are remitted to the Town. There were no delinquent taxes or uncollected taxes at year end.

July 1	Assessment roll validated
September 30	Millage resolution approved and taxes levied following certificate of assessment roll
October 1	Beginning of fiscal year for which tax is to be levied
November 1	Property taxes due and payable (levy date) with various discount provisions through March 1
April 1	Taxes become delinquent
Prior to June 1	Tax certificates sold by Lee County Tax Collector

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The Town follows the procedures enumerated below in establishing the legally adopted budgetary data reflected in the fund financial statements:

1. On or before July 15 of each year, the Town Manager is to submit to the Town Council a proposed operating budget, including a Town Manager's message explaining the budget, for the fiscal year commencing the following October 1. The operating budget will include a complete financial plan of all Town funds and activities for the ensuing fiscal year.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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2. The Town Council shall publish in one or more newspapers of general circulation the time and place of public hearings. Public hearings are then conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution required by Town Charter and as required by the State of Florida.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget amounts, as shown in the fund financial statements, are as originally adopted and as finally amended by the Town Council. If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the Town Council may make supplemental appropriations by resolution for the year up to the amount of such excess. There were no supplemental appropriations during the year.
6. The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. The Town Council must approve all budget amendments, which change the legally adopted total appropriation for a fund. Authority to transfer budget within a fund is delegated to the Town Council. Appropriations lapse at the fiscal year end.
7. No budget was adopted for the CRA Fund.

**B. Deficit Fund Balance**

The CRA Special Revenue Fund reported a deficit of \$120,795. This deficit will be funded by interfund transfers.

**III. Detail Notes on All Activities and Funds**

**A. Cash and Investments**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. In accordance with its policy, all Town depositories are banks designated by the Florida State Treasurer as qualified public depositories. Chapter 280 of the Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Treasurer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and non-negotiable certificates of deposit.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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Financial institutions qualifying as public depositories shall deposit with the Treasurer eligible collateral having a market value equal to or in excess of the average daily balance of public deposits times the depository collateral pledging level required pursuant to Chapter 280 as computed and reported monthly or 125% of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the Town is not exposed to custodial credit risk.

*Investments*

As of September 30, 2013, the Town has the following investments:

<u>Investment Type</u>	<u>Percent of Portfolio</u>	<u>Fair Value</u>
Florida Municipal Investment Trust (FMIT)	92.74%	\$ 4,775,404
SBA Florida PRIME	7.19%	370,419
SBA Fund B	0.07%	<u>3,490</u>
		<u>\$ 5,149,313</u>

The FMIT is an external investment pool. The FMIT meets the criteria of a Rule 2a-7 like pool and the investments are valued using the account balance which is stated at amortized cost. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The Town's investment in the FMIT is not evidenced by securities that exist in physical or book form and, therefore, disclosures for concentration of credit risk and custodial credit risk are not applicable. The Town's investment at FMIT is in the Intermediate High Quality Bond Fund. This fund was rated AAA/V3 by Fitch Ratings as of September 30, 2013. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average days to maturity (WAM) of the FMIT Intermediate High Quality Bond Fund at September 30, 2013, was 3.71 years.

The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc., is an interlocal governmental entity created under the laws of the State of Florida. The FMIT is an Authorized Investment under Sec. 163.01 Florida Statutes.

The Florida State Board of Administration's (SBA) Florida PRIME formerly known as the Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP) meets the criteria of a Rule 2a-7 like pool and the investments are valued using the account balance which is stated at amortized cost. Rule 2a-7 is the rule that permits money market funds to

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2013, was 44 days. The Florida PRIME is rated by Standard & Poor's, and the rating at September 30, 2013, was AAAm.

The SBA Fund B is accounted for as a fluctuating NAV pool. The fair value factor for Fund B for September 30, 2013, was 1.13262284. The WAL of Fund B at September 30, 2013, was 4.04 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. Fund B has not participated in a securities lending program in the fiscal year ending September 30, 2013. Fund B is not rated by any nationally recognized statistical rating agency.

The SBA Florida Prime and SBA Fund B Pools are administered by the State Board of Administration under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

#### B. Restricted Assets

Customer deposits for the water utility, including interest, as well as cash with the fiscal agent for the October 1 debt service payment are reported as restricted assets at September 30, 2013.

#### C. Receivables

Receivables at September 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	Accounts Receivable	Taxes Receivable	Special Assessments and Other Receivables	Due from Other Governments	Less Allowance for Doubtful Accounts	Total
Governmental activities:						
General Fund	\$ -	\$ 83,866	\$ 37,198	\$ 131,599	\$ -	\$ 252,663
Gas Tax Fund	-	-	-	30,591	-	30,591
Beach Access Fund	-	-	-	250,456	-	250,456
Capital Projects Fund	-	-	-	48,305	-	48,305
Nonmajor governmental funds	-	-	4,434	-	-	4,434
	<u>-</u>	<u>83,866</u>	<u>41,632</u>	<u>460,951</u>	<u>-</u>	<u>586,449</u>
Business-type activities:						
Water Fund	<u>888,040</u>	<u>-</u>	<u>-</u>	<u>17,092</u>	<u>(30,812)</u>	<u>874,320</u>
	<u>\$888,040</u>	<u>\$ 83,866</u>	<u>\$ 41,632</u>	<u>\$ 478,043</u>	<u>\$ (30,812)</u>	<u>\$1,460,769</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**Interfund Transactions**

At September 30, 2013, the Town reported the following due from/to other funds:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 234,663	\$ -
Beach access	-	227,388
Capital projects	127,886	7,275
Water Fund	-	127,886
Total	<u>\$ 362,549</u>	<u>\$ 362,549</u>

These balances resulted from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made.

At September 30, 2013, the Town reported the following advances to/from other funds:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General	\$ -	\$ 14,152
Gas tax	270,793	-
CRA	-	256,641
Total	<u>\$ 270,793</u>	<u>\$ 270,793</u>

These balances are amounts that have been loaned to other funds that are not expected to be paid back within the next year.

At September 30, 2013, the Town reported the following interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 418,210	\$ 154,518
Gas tax	-	57,910
Beach access	-	370,902
Capital projects	165,120	-
Total	<u>\$ 583,330</u>	<u>\$ 583,330</u>

Transfers of resources from a fund to the fund through which resources are to be expended, are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds.

These transfers from the General Fund, Beach Access Fund, Capital Projects Fund and Gas Tax Fund were used to assist other funds in meeting operating requirements and funding capital projects for the year ended September 30, 2013.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2013, is as follows:

	Restated Beginning Balance	Increases	Transfers	Decreases	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 9,957,688	\$ -	\$ -	\$ -	\$ 9,957,688
Construction in progress	3,212,099	193,050	(685,202)	-	2,719,947
Total capital assets, not being depreciated	13,169,787	193,050	(685,202)	-	12,677,635
Capital assets, being depreciated					
Buildings and improvements	2,774,638	-	136,578	-	2,911,216
Improvements other than buildings	94,799	-	503,133	-	597,932
Office furniture and equipment	610,919	89,774	-	(35,455)	665,238
Vehicles and other equipment	1,363,745	40,610	-	(19,291)	1,385,064
Infrastructure	4,310,885	13,146	45,491	-	4,369,522
Total capital assets, being depreciated	9,154,986	143,530	685,202	(54,746)	9,928,972
Less accumulated depreciation for					
Buildings and improvements	722,729	33,681	-	-	756,410
Improvements other than buildings	67,049	13,159	-	-	80,208
Office furniture and equipment	508,869	37,728	-	(35,455)	511,142
Vehicles and other equipment	874,248	127,802	-	(19,291)	982,759
Infrastructure	442,743	151,832	-	-	594,575
Total accumulated depreciation	2,615,638	364,202	-	(54,746)	2,925,094
Total capital assets, being depreciated, net	6,539,348	\$ (220,672)	685,202	-	7,003,878
Governmental activities capital assets, net	\$ 19,709,135	\$ (27,622)	\$ -	\$ -	\$ 19,681,513



**TOWN OF FORT MYERS BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Construction in progress	280,507	375,397	-	655,904
Total capital assets not being depreciated	<u>585,507</u>	<u>375,397</u>	<u>-</u>	<u>960,904</u>
Capital assets being depreciated				
Computer equipment	61,116	-	-	61,116
South Booster Station	362,949	24,604	-	387,553
North Booster Station	94,701	15,456	-	110,157
North Estero	1,304,112	-	-	1,304,112
Distribution lines	3,011,706	-	-	3,011,706
Seawall	162,108	-	-	162,108
Generators	95,104	-	-	95,104
Total capital assets being depreciated	<u>5,091,796</u>	<u>40,060</u>	<u>-</u>	<u>5,131,856</u>
Less accumulated depreciation for				
Computer equipment	57,625	3,491	-	61,116
South Booster Station	155,411	17,854	-	173,265
North Booster Station	43,249	7,125	-	50,374
North Estero	57,958	43,470	-	101,428
Distribution lines	2,087,930	200,863	-	2,288,793
Seawall	4,503	5,404	-	9,907
Generators	50,530	9,390	-	59,920
Total accumulated depreciation	<u>2,457,206</u>	<u>287,597</u>	<u>-</u>	<u>2,744,803</u>
Capital assets being depreciated, net	<u>2,634,590</u>	<u>(247,537)</u>	<u>-</u>	<u>2,387,053</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 3,220,097</u></u>	<u><u>\$ 127,860</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,347,957</u></u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities**

General government	\$ 175,976
Transportation	116,343
Culture/recreation	71,883
Total depreciation expense, governmental activities	<u><u>\$ 364,202</u></u>

**Business-type activities**

Water	<u><u>\$ 287,597</u></u>
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TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

**E. Long-term Obligations**

**Governmental Activities**

Changes in long-term obligations for the year ended September 30, 2013, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 95,894	\$ 272,375	\$ 142,114	\$ 226,155	\$ 203,539
Other post-employment benefits	-	20,000	-	20,000	-
	<u>\$ 95,894</u>	<u>\$ 292,375</u>	<u>\$ 142,114</u>	<u>\$ 246,155</u>	<u>\$ 203,539</u>
<b>Business-type Activities</b>					
Note payable	\$1,980,000	-	\$ 1,980,000	\$ -	\$ -
Refunding bond payable	-	1,980,000	-	1,980,000	180,000
	<u>\$1,980,000</u>	<u>\$1,980,000</u>	<u>\$ 1,980,000</u>	<u>\$1,980,000</u>	<u>\$ 180,000</u>

For the governmental activities, compensated absences and other post-employment benefits are generally liquidated by the General Fund.

**Business-type Activities**

**\$1,980,000 Utility Revenue Refunding Bonds, Series 2013**—Issued for the principal purpose of paying off the Town's Public Utility Revenue Note, Series 2010 which was issued to refinance monies expended to acquire the water system of the Town and pay certain capital costs for additions and/or improvements to the water system. The bonds bear interest at 1.81%, and are payable from and secured by a lien upon and pledge of the net revenues of the utility. Additionally, payment of the bonds is secured by a covenant to budget and appropriate non-ad valorem revenues for payment of principal and interest in the event the utility's net revenues are insufficient to make those payments. Annual principal payments of \$180,000 plus interest are due on October 1 through final maturity on October 1, 2023.

The annual debt service requirements to maturity as of September 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 180,000	\$ 21,765	\$ 201,765
2015	180,000	30,951	210,951
2016	180,000	27,693	207,693
2017	180,000	24,435	204,435
2018	180,000	21,177	201,177
2019-2023	900,000	57,015	957,015
2024	180,000	1,629	181,629
	<u>\$ 1,980,000</u>	<u>\$ 184,665</u>	<u>\$2,164,665</u>

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**F. Retirement Plan**

The Town sponsors a defined contribution pension plan entitled the Town of Fort Myers Beach Pension Plan (the "Plan"). The Plan covers all employees and is administered by the Town.

The Plan is a prototype money purchase plan sponsored by VALIC. The Plan can only be amended by VALIC. However, the Town as the Plan administrator can amend the terms within the related Adoption Agreement, including employer contribution percentages. Contributions to the Plan are based on 10% of the employee's annual compensation (15% for the Town Manager) and vest 100% to employee upon contribution to the Plan.

Total contributions to the Plan for the year ended September 30, 2013, was \$173,330.

**G. Other Post-employment Benefits**

**Plan Description**—The post-employment healthcare benefits plan is a single-employer defined benefit plan administered by the Town. Pursuant to the provisions of Section 112.0801, Florida Statutes former employees and eligible dependents who retire from the Town may continue to participate in the Town's group health insurance plan. The Town subsidizes the premium rates paid by retirees by allowing them to participate in the plan at a reduced or blended group (implicitly subsidized) premium rate. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The post-employment healthcare benefits plan does not issue a stand-alone financial report.

As of September 30, 2013, there were no retirees and eligible dependents receiving post-employment healthcare benefits.

**Funding Policy**—Contribution requirements for the post-employment healthcare benefits of the Town are established and may be amended by Town Council. The Town has not advance-funded or established a funding methodology for the annual other post-employment benefit (OPEB) costs or the net OPEB obligation. Currently, retirees pay 100% of the cost of the healthcare insurance premiums. The Town's actuarially required contributions are based on a projected pay-as-you-go basis.

As of the most recent actuarial valuation, the funded status of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	(AAL) Actuarial Accrued Liability	(UAAL) Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	\$ -	\$ 52,000	\$ 52,000	0.0%	\$1,620,000	3.2%

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

The schedule of funding progress included in required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Annual OPEB Cost and Net OPEB Obligation**—The following table shows the Town’s annual OPEB cost, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation for 2012-2013.

Normal cost	\$ 17,000
Amortization of unfunded actuarial accrued liability	3,000
Annual required contribution	20,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Total annual OPEB cost	20,000
Town contributions	-
Increase in net OPEB obligation	20,000
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 20,000

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2013 was as follows:

Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
9/30/13	\$ 20,000	0.0%	\$ 20,000

**Actuarial methods and Assumptions**—Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and assumptions used were as follows:

Valuation date	January 1, 2014
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; level-dollar payment
Investment return	4% (includes inflation at 2.75% per annum)
Healthcare cost trend rate(s)	
Selected rates	7% for 2014 graded to 5.5% for 2017
Ultimate rate	5% per annum

#### **H. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participated in the public entity risk pool administered by the Florida League of Cities, Inc. for general/professional liability, property and workers compensation. The Town pays an annual premium to Florida League of Cities, Inc. for this insurance program. Participation in this risk pool is non-assessable. There were no significant reductions in insurance coverage in the past three fiscal years. The amount of settlements did not exceed insurance coverage in each of the past three fiscal years.

The Florida League of Cities, Inc. published financial report for the year ended September 30, 2013, can be obtained from the Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

The Town retains the risk of loss up to a deductible amount (ranging from \$0 to \$250) with the risk of loss in excess of this amount transferred to the pool with limits of liability of \$1,000,000 to \$3,000,000 per occurrence.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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**I. Commitments and Contingencies**

**Operating Lease**—The Town leases office facilities under non-cancelable operating leases. The original lease dated January 13, 1998, has been amended and renewed several times, and was most recently amended October 8, 2010. Pursuant to this amendment, the Town has invoked the right to extend the lease through July 31, 2015. Total lease payments were \$115,189 for the year ended September 30, 2013. Future minimum lease payments are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2014	\$ 118,645
2015	101,330
	<u>\$ 219,975</u>

**Grants**—The Town has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

In fiscal year 2003, the State of Florida and Lee County provided funding toward the purchase of property known as the "Jim and Ellie Newton Property." The Town is required to comply with the terms of the grant agreements as to the use and maintenance of the acquired property. Title to this property would revert to the State of Florida if the Town does not comply with the terms of the grant agreement. In addition, the Town would be required to repay Lee County funding of \$969,230 plus interest at 12% per annum.

**Litigation**—The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**Other Commitments**—On June 1, 2001, Woodard & Curran, Inc. was retained, pursuant to a contract with the Town, to provide for the operation and maintenance of the Town's water system. The term of the initial agreement was for a period of three years and was most recently renewed on April 18, 2011. The current agreement extends through December 31, 2013, with three one-year renewal periods. Pursuant to the agreement, Woodard & Curran Inc. is to receive \$37,884 in monthly compensation for its services. Woodard & Curran Inc. received \$454,608 for the year ended September 30, 2013. The monthly compensation is to be reviewed annually and adjusted as agreed upon by the Town and Woodard & Curran.

TOWN OF FORT MYERS BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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On September 5, 2013, the Town entered into a contract with Central Parking Systems of Florida, Inc. to provide services for the installation and maintenance of parking meters along with parking enforcement. The term of the agreement is for two years, with three one-year annual renewal options to extend the agreement. Pursuant to the agreement Central Parking Systems of Florida, Inc. is to receive \$318,000 annually in twelve equal monthly payments of \$26,500.

On November 12, 2013, the Town renewed an agreement for three years, with two one-year renewal options, with Estero Bay Hotel Company, d/b/a Matanzas Inn, to provide services for the operation and management of the Town's Municipal Anchorage. Pursuant to the agreement the Town is to make payments by the 15th of each month of an amount equal to 65% of the previous month's net revenue. Amounts paid pursuant to this agreement for fiscal year ending September 30, 2013 were \$78,194.

**J. Economic Dependency**

On August 3, 2001, a Bulk Water Agreement was entered into with Lee County, Florida, to provide potable water. Lee County is currently the only source of potable water that supplies residents of the Town of Fort Myers Beach. The Bulk Water Agreement is for twenty-five years. The interlocal agreement provides that the County may, from time to time, increase the rate charged for the cost of bulk water provided to the Town. As of September 30, 2013, the rate charged from Lee County, Florida, was \$3.67 per 1,000 gallons. The Public Works Service revised its base rate effective January 1, 2010, to pass increased costs on to its customers.

**K. Subsequent Event**

On January 15, 2014, the Town Council terminated the employment agreement with the Town Manager without cause per the Town Manager's request. Per the employment agreement, the Town Manager was granted a severance payment. The Finance Director was appointed Acting Town Manager until an interim manager could be named. On February 3, 2014, the Town Council ratified an agreement with Interim Town Manager Don Stilwell.

## **REQUIRED SUPPLEMENTARY INFORMATION**



TOWN OF FORT MYERS BEACH, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

**Other Post-employment Benefits  
Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>(AAL) Actuarial Accrued Liability</b>	<b>(UAAL) Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2014	\$ -	\$ 52,000	\$ 52,000	0.0%	\$ 1,620,000	3.2%

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2013**

	<u>Special Revenue Funds</u>		<u>Nonmajor</u>
	<u>Park</u>	<u>Road</u>	<u>Governmental</u>
	<u>Impact</u>	<u>Impact</u>	<u>Funds</u>
<b>Assets</b>			
Cash	\$ 254,494	\$ 691,052	\$ 945,546
Accounts receivable	1,463	2,971	4,434
Due from other governments	-	-	-
<b>Total assets</b>	<u>\$ 255,957</u>	<u>\$ 694,023</u>	<u>\$ 949,980</u>
 Fund balances			
Restricted			
Culture and recreation	\$ 255,957	\$ -	\$ 255,957
Transportation	-	694,023	694,023
<b>Total fund balances</b>	<u>255,957</u>	<u>694,023</u>	<u>949,980</u>
 <b>Total liabilities and fund balances</b>	<u>\$ 255,957</u>	<u>\$ 694,023</u>	<u>\$ 949,980</u>

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<b>Special Revenue Funds</b>		<b>Nonmajor</b>
	<b>Park</b>	<b>Road</b>	<b>Governmental</b>
	<b>Impact</b>	<b>Impact</b>	<b>Funds</b>
<b>Revenues</b>			
Permits, fees and assessments			
Impact fees	\$ 25,815	\$ 52,483	\$ 78,298
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment income	224	543	767
<b>Total revenues</b>	<b>26,039</b>	<b>53,026</b>	<b>79,065</b>
<b>Expenditures</b>			
Current			
Transportation	-	7,409	7,409
Culture/recreation	2,914	-	2,914
<b>Total expenditures</b>	<b>2,914</b>	<b>7,409</b>	<b>10,323</b>
<b>Change in fund balances</b>	<b>23,125</b>	<b>45,617</b>	<b>68,742</b>
<b>Fund balances, beginning of year</b>	<b>232,832</b>	<b>648,406</b>	<b>881,238</b>
<b>Fund balances, end of year</b>	<b>\$ 255,957</b>	<b>\$ 694,023</b>	<b>\$ 949,980</b>

## **OTHER REPORTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor, Town Council and Town Manager  
Town of Fort Myers Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 18, 2014. As referenced in our report, the Town adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of October 1, 2012.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as Finding 2013-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Town's Response to Findings**

The Town's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
April 18, 2014

**TOWN OF FORT MYERS BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended September 30, 2013**

**2013-01 Prior Period Adjustment**

**Criteria:** Internal controls should be in place to prevent material misstatements in the reporting of the Town's financial statements.

**Condition:** Internal controls were not sufficient to prevent material misstatements in the reporting of the Town's financial statements for the year ended September 30, 2013.

**Context/Cause/Effects:** During our audit, a prior period adjustment was required to restate beginning net position for the governmental activities for amounts previously capitalized and reported within construction in progress in the amount of \$147,598 for dredging that should have been expensed. As a result, beginning net position was decreased.

**Recommendation:** We recommend the Town strengthen its controls to ensure that future restatements do not occur. Only disbursements that add value to an asset or materially extend the life of an asset should be capitalized.

**Management's Response:** Upon researching the dredging project at Laguna Shores, we recognized that the Town does not own any asset that could be or should be capitalized. The expenses were capitalized in 2012 and will be considered maintenance in the future.

**2013-02 Year-end Accruals**

**Criteria:** Generally, expenses/expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

**Condition:** Internal controls were not sufficient to detect material misstatements in the reporting of the Town's liabilities and related expenditures.

**Context/Cause:** During our testing of accounts payable, we noted an adjustment was required to record a current year accrual of expenditure in the amount of \$13,965 in the Capital Projects Fund.

**Effects:** Audit adjustments were needed to correctly report liabilities and expenditures.

**Recommendation:** We recommend the Town implement procedures to ensure all year-end invoices for expenditures/expenses are recorded in the proper reporting period.



**Management's Response:** It is policy to recognize accruals for sixty days after the end of the fiscal year. In this particular circumstance, the payment of \$13,965 was retainage for final payment of a project that was completed. The requisition dated November 13<sup>th</sup>, 2013, was received by the Town on November 21<sup>st</sup>, 2013, and forwarded to the public works department for approval. They determined that the project had been completed and authorized payment of the retainage. The check request was received by the Finance Department on December 9, 2013, and processed on December 10<sup>th</sup>. In the future, the Finance staff will verify on November 30<sup>th</sup> that departments are not aware of any additional outstanding invoices that affect the prior year.

### **2013-03 Personnel Action Forms**

**Criteria:** Written authorization for pay rate changes should be documented in the personnel files.

**Condition:** During our test of payroll, we noted there is no documentation maintained in the personnel file for annual pay increases.

**Context/Cause:** Personnel action forms are not completed for annual raises. The Finance Coordinator maintains a spreadsheet of the prior year pay rates/salaries for each employee and calculates the annual increase based on the percentage approved by Town Council as part of the budget process. The lack of approved documentation within the file could result in improper wages being paid to employees.

**Recommendation:** Since payroll is a major expenditure/expense of the Town, we believe that the rate change and the resulting new pay rates should be reviewed and approved by the appropriate level of management and should be documented in each personnel file. This will provide an audit trail of the pay history for each employee within the personnel file and document management's approval of current pay rates.

**Management's Response:** In the fiscal year 2013 Budget, the council approved a 2% across the board cost of living raise for all employees effective October 1, 2012. The finance coordinator prepared a spreadsheet listing each employee and calculating the increase. The calculations and pay status of each employee was verified by the Town's accountant. The Town uses an outside payroll service. The updated rates were transmitted to the service with a start date of October 1, 2012, and the payroll journal was verified to insure that the rates were correct.

For personnel actions, other than across the board pay rate increases, the Finance Department prepares a document explaining the change in rate, and this document requires signatures of the Department Head, Finance Director and Town Manager before it is implemented. The Town believes the controls in place for annual across the board adjustments are adequate, but to insure more clarity in individual employee records, the Finance Department will include a personnel action form for all pay rate changes in the future.

## **2013-04 Uniform Accounting System Manual**

**Criteria:** In accordance with Florida Statute 218.33, governmental entities should use the chart of accounts as outlined in the Uniform Accounting System Manual published by the Florida Department of Financial Services.

**Condition:** During our audit procedures, we noted that in many cases the account numbers and respective account descriptions are not in accordance with the guidelines as outlined in the Uniform Accounting System Manual. The chart of accounts outlined in the Uniform Accounting System Manual is an integral part of preparing an accurate annual financial report and aids in consistent financial reporting among local government agencies.

**Context/Cause:** During our audit, we noted numerous revenue and expenditure/expense account numbers that were not in accordance with the Uniform Accounting System Manual. During our test of capital expenditures, we noted that there were amounts being capitalized that were coded to accounts not identified as capital expenditure coding lines; in addition, there were amounts charged to capital expenditure coding lines that were not capitalized. Since there is no system for recording capital expenditures, additional time is spent by the accountant in reviewing the general ledger activity of numerous accounts in order to identify capital additions.

**Recommendation:** We recommend the Town revise their chart of accounts to agree with the Uniform Accounting System Manual. In addition, we recommend the Town implement procedures to charge only capital expenditures to the respective capital expenditure coding lines to aid in identifying those capital assets that need to be recorded as capital asset additions.

**Management's Response:** In 2007, when the Town's current accounting system was implemented, care was taken to set up the Town's chart of accounts in accordance with the Uniform Accounting System Manual per Florida Statute 218.33. The accounts currently that may not be in accordance are account codes that have been added in the last few years to the system in the Capital Projects Fund. We are in the process of identifying and correcting these account codes and of updating our procedures for the recording of capital expenditures. We also anticipate acquiring a new accounting system in the future and ensure that the chart of accounts will be set up in accordance with Florida Statute 218.33.

## MANAGEMENT LETTER

Honorable Mayor, Town Council and Town Manager  
Town of Fort Myers Beach, Florida

We have audited the financial statements of the Town of Fort Myers Beach, Florida (the "Town"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated April 18, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. Disclosures in that report, which are dated April 18, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Below is a list of the prior year audit findings made in the preceding annual financial audit report and the current year status.
  - Prior year Finding 2012-01 was not corrected in the current year. See Finding 2013-01 reported in the Schedule of Findings and Responses. This is a repeat finding for the fourth consecutive year. Prior finding references are 2011-01 and 2010-01.
  - There were no current year findings related to prior year Finding 2012-02.
  - Finding 2012-03 was not corrected in the current year. See Finding 2013-02 reported in the Schedule of Findings and Responses. This is a repeat finding for the fifth consecutive year. The finding reference for prior years was 2009-02.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Matters required to be disclosed are reported in the Schedule of Findings and Responses.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554 (1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements.. All required information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
April 18, 2014